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POSTAL RATE COMMISSION
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BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

Exhibit KE-ST-1

Postal Rate and Fee Changes

Docket No. R2000-1

**SUPPLEMENTAL TESTIMONY OF
RICHARD E. BENTLEY
ON BEHALF OF
KEYSPAN ENERGY**

August 23, 2000

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7
8
9
10
11
12
13

Table of Contents

I. INTRODUCTION 1

 A. Statement of Qualifications 1

 B. Purpose and Summary of Testimony 1

II. Updated Figures Do Not Materially Change 2

III. CONCLUSION..... 2

List of Tables

Table 1 Comparison of Original and Updated Figures Pertaining to KeySpan
Energy’s QBRM Proposal..... 2

**Supplemental Testimony
of Richard E. Bentley
On Behalf of KeySpan Energy**

I. INTRODUCTION

A. Statement of Qualifications

I have testified before the Postal Rate Commission in every major rate and classification proceeding since Docket No. R77-1. A statement of my qualifications has previously been filed as part of my direct testimony. Please see Exhibit KE-T-1.

B. Purpose and Summary of Testimony

On August 11, 2000 the Postal Service was directed to update Library References USPS-LR-I-160 and UPSP-LR-L-146 using FY 99 cost and volume data as the base year. Using those two documents I have been able to update Exhibits KE-1A, 1B and 1F. These exhibits originally showed, respectively, how I derived QBRM cost savings, high and low volume QBRM unit processing costs, and a comparison of QBRM contributions to institutional costs under the KE and Postal Service proposals.

The purpose of this testimony is to compare the updated figures in those Exhibits with the original figures. Because the differences are so minor, there are no changes to my original proposals and recommendations.

I also note that there is no other additional information that has become available since I wrote my original testimony that causes me to make any further adjustments to my analyses that support my QBRM fee proposals in this case.

1 **II. Updated Figures Do Not Materially Change**

2 Table 1 compares the original cost figures with the newly updated cost
3 figures. The sources of the updated figures are Exhibits KE-ST-1A, 1B and 1F.
4 The methodology used to derive those number is exactly the same as presented
5 in original Exhibits KE-1A, 1B and 1F. Because the cost figures change so
6 slightly, there is no reason to change any of the conclusions and
7 recommendations stated in my original testimony. Nor are there any further
8 changes that should be made to those analyses.

9 Table 1
10 Comparison of Original and Updated Figures Pertaining
11 To KeySpan Energy's QBRM Fee Proposal

Exhibit	Page	Derived Figure	Original	Updated
A	1	QBRM Unit Cost Savings (Cents)	5.2030	5.2635
B	1	High Volume Unit QBRM Cost (Cents)	0.0017	0.0018
	2	Low Volume Unit QBRM Cost (Cents).	0.0343	0.0351
	3	Total Unit QBRM Cost (Cents)	0.0118	0.0120
F	1	Contrib to Inst Costs Under USPS Fees (\$000)	6,068	5,540
	1	Contrib to Inst Costs Under KE Fees (\$000)	5,146	5,008
	1	Difference	922	532

12

13

14 **III. Conclusion**

15 The change in base year from FY 98 to FY 99 does not materially alter the
16 data underlying and supporting my proposal to establish a separate fee structure
17 for High Volume QBRM based on the annual volumes received. Therefore, I
18 recommend no changes to my original proposal.

19

Exhibit KE-ST-1A

**Derivation of the
Unit Cost Savings
For QBRM Letters
(Updated Version of Exhibit KE-1A)**

Cost Avoidance Calculation for QBRM Discount (Cents)

CRA Proportional Adjustment 1.188 [1]

	Model Cost	Total Worksharing Related Unit Cost
HANDWRITTEN	7.745 [2]	9.202 [3]
QBRM	4.681 [4]	5.561 [5]
Processing Cost Avoidance		3.641 [6]
Window Service Savings		1.619 [7]
Stamp Printing Costs (\$000)	\$ 209,827 [8]	
TY First-Class Volume (000)	52,877,658 [9]	
Avoided Unit Stamp Printing Cost		0.004 [10]
Total QBRM Savings		5.264 [11]

[1] See LR-MMA-2A, CRA PROP ADJ (ALL PRESORT) spreadsheet (page 8)

[2] See L-2 (handwritten cost sheet)

[3] [1] * [2]

[4] See L-3 (QBRM cost sheet)

[5] [1] * [4]

[6] [3] - [5]

[7] TR 21/8909

[8] TR 14/6038

[9] Exhibit MMA-1B at 1A

[10] [8] / [9]

[11] [6] + [7] + [10]

**HANDWRITTEN
COST SHEET**
Source: USPS-LR-I-472

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
		Pieces	Wage	Direct	Piggyback	Premium	Premium	Total	Weighted
Entry Activities	TPH	Per Hour	Rate	Cents	Factor	Pay	Pay	Cents	Cents
				Per Piece		Factor	Adjust	Per Piece	Per Piece
Bundle Sorting	10,000	---	---	---	---	---	---	0.0000	0.0000
Outgoing RBCS									
ISS	375	6,854	\$28.68	0.4184	2.067	1.0200	0.0084	0.8732	0.0328
RCR	10,375							0.5140	0.5333
REC	3,213	676	\$18.06	2.6699	1.546	1.0200	0.0534	4.1811	1.3435
OSS	10,612	8,994	\$28.68	0.3189	1.798	1.0200	0.0064	0.5797	0.6152
LMLM	1,020	3,890	\$28.68	0.7371	2.576	1.0200	0.0147	1.9136	0.1952
Outgoing Primary									
Automation	186	5,740	\$28.68	0.4996	2.296	1.0200	0.0100	1.1572	0.0215
Manual	599	488	\$28.68	5.8713	1.382	1.0200	0.1174	8.2316	0.4932
Outgoing Secondary									
Automation	2,081	8,340	\$28.68	0.3439	2.270	1.0200	0.0069	0.7873	0.1638
Manual	198	479	\$28.68	5.9821	1.382	1.0200	0.1196	8.3869	0.1659
Incoming RBCS									
ISS	0	4,374	\$28.68	0.6556	2.067	1.0200	0.0131	1.3682	0.0000
RCR	0							0.5140	0.0000
REC	0	676	\$18.06	2.6699	1.546	1.0200	0.053		

QBRM
COST SHEET
Source: USPS-LR-I-472

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<u>Entry Activities</u>	<u>TPH</u>	<u>Pieces Per Hour</u>	<u>Wage Rate</u>	<u>Direct Cents Per Piece</u>	<u>Piggyback Factor</u>	<u>Premium Pay Factor</u>	<u>Premium Pay Adjust</u>	<u>Total Cents Per Piece</u>	<u>Weighted Cents Per Piece</u>
Bundle Sorting	10.000	---	---	---	---	---	---	0.0000	0.0000
<u>Outgoing RBCS</u>									
ISS	0	6,854	\$28.68	0.4184	2.067	1.0200	0.0084	0.8732	0.0000
RCR	0							0.5140	0.0000
REC	0	676	\$18.06	2.6699	1.546	1.0200	0.0534	4.1811	0.0000
OSS	0	8,994	\$28.68	0.3189	1.798	1.0200	0.0064	0.5797	0.0000
LMLM	0	3,890	\$28.68	0.7371	2.576	1.0200	0.0147	1.9136	0.0000
<u>Outgoing Primary</u>									
Automation	10,005	5,740	\$28.68	0.4996	2.296	1.0200	0.0100	1.1572	1.1577
Manual	480	488	\$28.68	5.8713	1.382	1.0200	0.1174	8.2316	0.3951
<u>Outgoing Secondary</u>									
Automation	715	8,340	\$28.68	0.3439	2.270	1.0200	0.0069	0.7873	0.0563
Manual	120	479	\$28.68	5.9821	1.382	1.0200	0.1196	8.3869	0.1004
<u>Incoming RBCS</u>									
ISS	0	4,374	\$28.68	0.6556	2.067	1.0200	0.0131	1.3682	0.0000
RCR	0							0.5140	0.0000
REC	0	676	\$18.06	2.6699	1.546	1.0200	0.0534	4.1811	0.0000
OSS	0	8,134	\$28.68	0.3526	1.664	1.0200	0.0071	0.5937	0.0000
LMLM	0	3,890	\$28.68	0.7371	2.576	1.0200	0.0147	1.9136	0.0000
<u>Incoming MMP</u>									
Automation AADC	3,745	5,576	\$28.68	0.5143	2.186	1.0200	0.0103	1.1348	0.4250
Manual ADC	331	604	\$28.68	4.7479	1.382	1.0200	0.0950	6.6565	0.2204
<u>Incoming SCF/Primary</u>									
Automation	8,675	5,908	\$28.68	0.4854	2.061	1.0200	0.0097	1.0103	0.8765
Manual	559	641	\$28.68	4.4725	1.382	1.0200	0.0895	6.2705	0.3504
<u>5-Digit Barcode Sort</u>	0	5,908	\$28.68	0.4854	2.061	1.0200	0.0097	1.0103	0.0000
<u>Incoming Secondaries</u>									
Auto Carrier Route	0	5,224	\$28.68	0.5489	2.100	1.0200	0.0110	1.1634	0.0000
Auto 3-Pass DPS	0	13,361	\$28.68	0.2146	1.957	1.0200	0.0043	0.4244	0.0000
Auto 2-Pass DPS	1,303	8,755	\$28.68	0.3276	2.323	1.0200	0.0066	0.7675	0.1000
Man Inc Sec Final At Plant	790	523	\$28.68	5.4831	1.382	1.0200	0.1097	7.6872	0.6076
Man Inc Sec Final At DU	280	1,155	\$28.68	2.4839	1.382	1.0200	0.0497	3.4825	0.0977
Box Section Sort, DPS	56	2,365	\$28.68	1.2128	1.382	1.0200	0.0243	1.7003	0.0095
Box Section Sort, Other	834	1,179	\$28.68	2.4319	1.382	1.0200	0.0486	3.4095	0.2844

Source: LR-I-146

(10)
MODEL COST = **4.6810**

22%

- (1) Values From QBRM FLOW MODEL Spreadsheet (L-5)
(2) Values From Productivities Spreadsheet (L-12)
(3) Values From Wage Rates Spreadsheet (L-13)
(4) $[(3) * (100 \text{ cents/dollar})] / (2)$
(5) Values From Piggybacks Spreadsheet (L-15)
(6) Values From Wage Rates Spreadsheet (L-13)

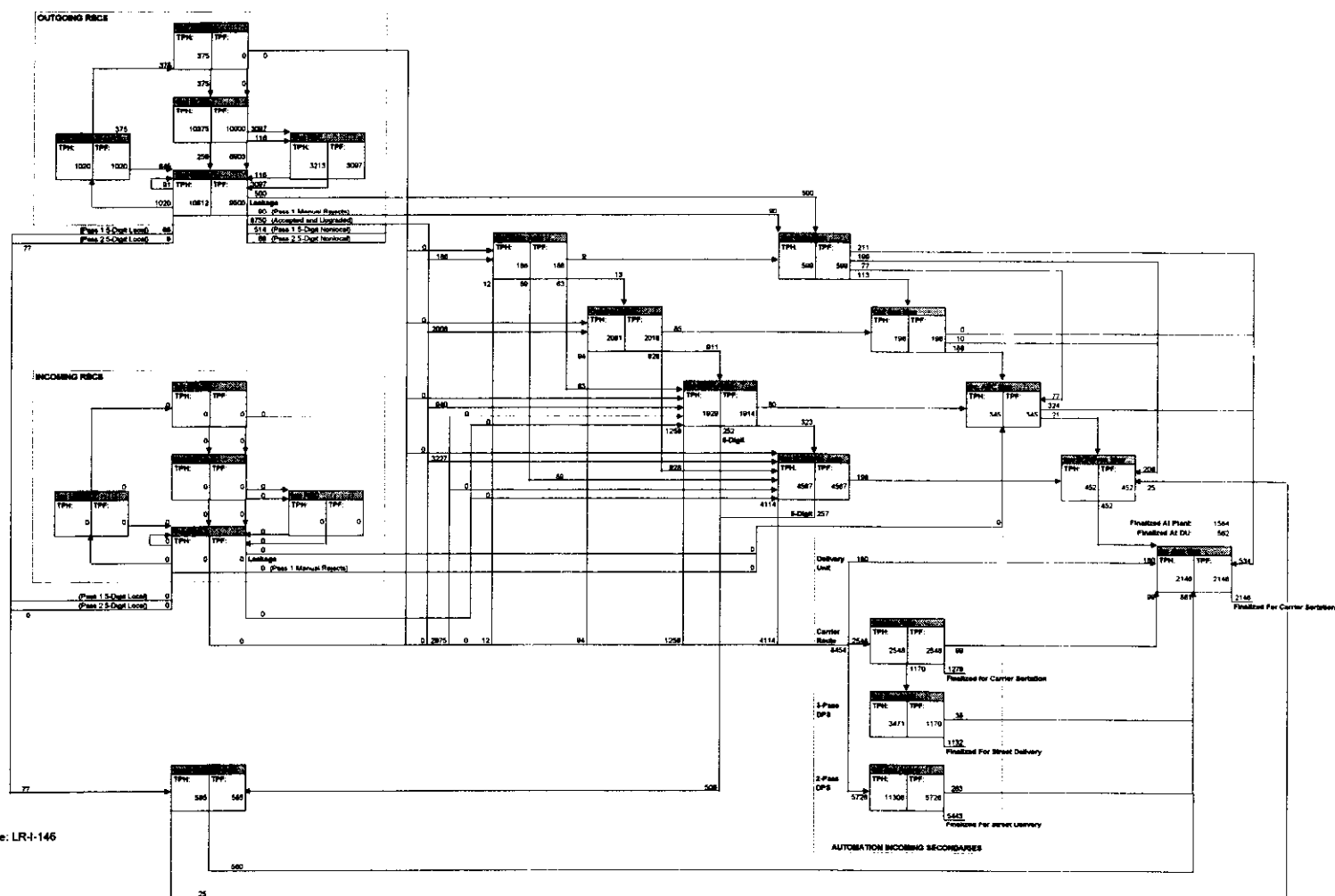
- (7) $[(6) - 1] * (4)$
(8) $(4) * (5) + (7)$
(9) $(1) * (8) / 10,000 \text{ Pieces}$
(10) Sum (9)

HANDWRITTEN MAIL FLOW MODEL

ENTERED = 10000 PROCESSED = 10000

ENTRY POINTS:

Out ISS	0	Out ISS	0
Out ROR	10000	Out MMP Auto	0
Out Prim Auto	0	Out SCHPrim Auto	0
Out Sec Auto	0	Out Sec Auto	0
Out Prim Man	0	Out ADC Man	0
Out Sec Man	0	Out SCHPrim Man	0
		Out Sec Man	0



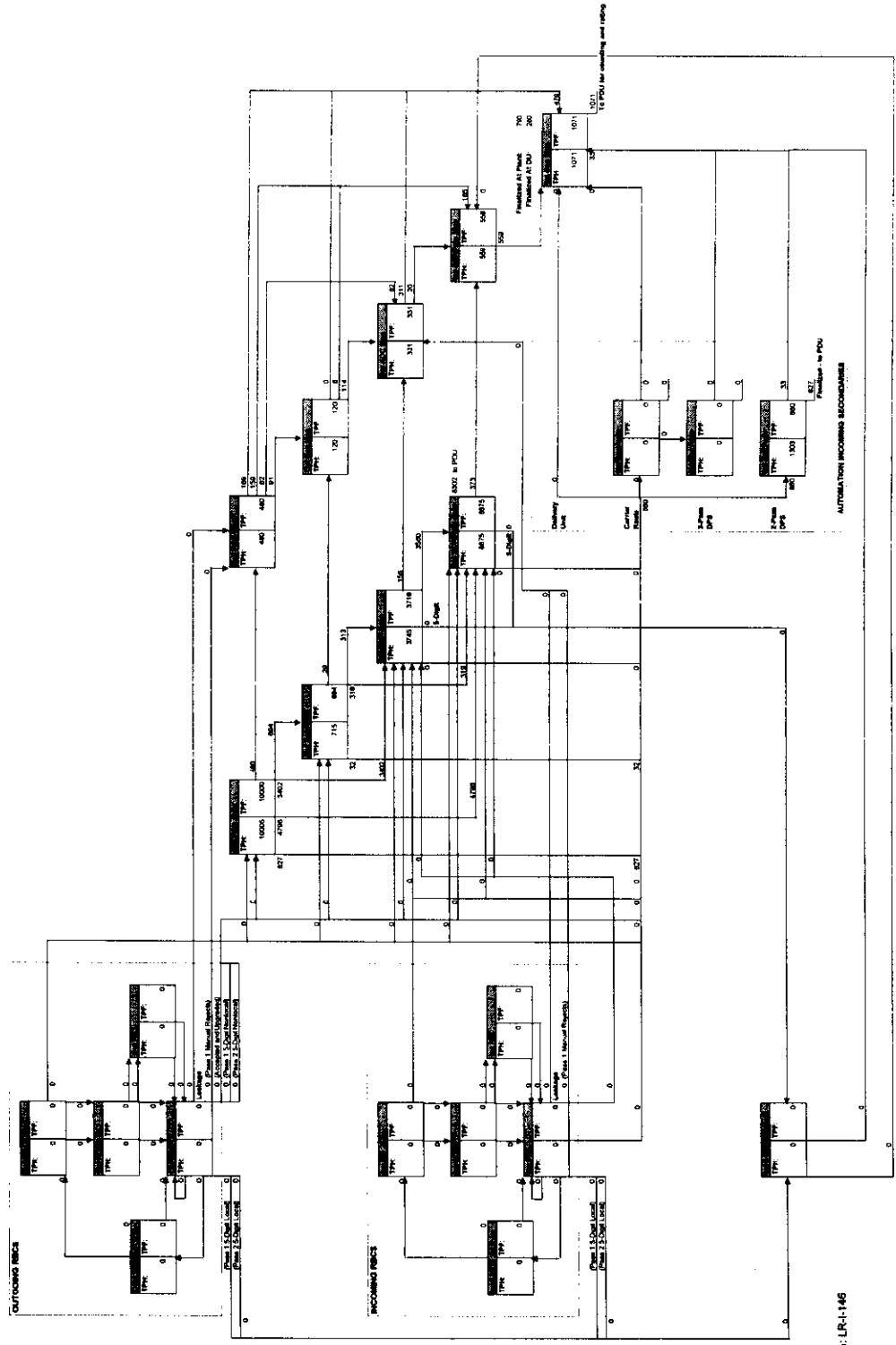
Source: LR-I-146

QBRM MAIL FLOW MODEL

ENTERED = 1000, PROCESSED = 1000

ENTRY PORTS:

Out Mail	0	In Mail	1000
Out Mail	0	In Mail	1000
Out Mail	0	In Mail	1000
Out Mail	0	In Mail	1000
Out Mail	0	In Mail	1000
Out Mail	0	In Mail	1000
Out Mail	0	In Mail	1000
Out Mail	0	In Mail	1000



Source: LR-1-146

ACCEPT/UPGRADE RATES

Description	Source	FCM Sing Pc Hand
MLOCR Accept	Docket No. R97-1, USPS LR-H-130	8.36%
MLOCR Upgrade	Docket No. R97-1, USPS LR-H-130	57.42%
MPBCS OSS Accept	Docket No. R97-1, USPS LR-H-130	87.35%
MPBCS OSS Upgrade	Docket No. R97-1, USPS LR-H-130	92.99%
MPBCS OSS Errors:		
OSS Refeeds	Docket No. R97-1, USPS LR-H-130	0.96%
LMLM - ID Tag	Docket No. R97-1, USPS LR-H-130	3.95%
LMLM - Postnet Barcode	Docket No. R97-1, USPS LR-H-130	6.79%
Manual	Docket No. R97-1, USPS LR-H-130	0.95%

Other Accept Rates

Outgoing BCS Primary	USPS LR-I-107	95.20%
Outgoing BCS Secondary	USPS LR-I-107	95.80%
Incoming BCS MMP	USPS LR-I-107	95.80%
Incoming BCS SCF/Primary	USPS LR-I-107	95.70%
Incoming BCS Secondary Carrier Route	USPS LR-I-107	96.10%
Incoming BCS Secondary DPS Pass 1	USPS LR-I-107	97.50%
Incoming BCS Secondary DPS Pass 2	USPS LR-I-107	97.50%
Incoming CSBCS Secondary Pass1	USPS LR-I-107	98.90%
Incoming CSBCS Secondary Pass2,3	USPS LR-I-107	98.90%

Source: LR-I-146

**HANDWRITTEN
MAIL FLOW DENSITIES**

		-----OUTGOING-----		-----INCOMING-----			
<u>From Operation</u>	<u>Refeeds</u>	<u>Primary</u>	<u>Secondary</u>	<u>Mgd Mail Program</u>	<u>SCF/ Primary</u>	<u>Inc Sec</u>	<u>Total</u>
Out ISS Auto		3.22%	28.61%	3.86%	37.94%	26.36%	100.00%
Out OSS Auto		2.12%	16.26%	10.74%	36.88%	34.00%	100.00%
Out Prim Auto	0.05%		7.29%	35.74%	50.38%	6.59%	100.00%
Out Sec Auto	3.08%			47.12%	48.01%	4.87%	100.00%
Inc ISS Auto				2.41%	32.39%	65.19%	100.00%
Inc OSS Auto				0.92%	20.28%	78.81%	100.00%
Inc MMP Auto	0.79%				20.43%	79.57%	100.00%
Out Prim Man			18.86%	12.81%	33.18%	35.15%	100.00%
Out Sec Man				94.94%	5.06%	0.00%	100.00%
Inc ADC Man					6.18%	93.82%	100.00%

Source: LR-I-146

QBRM
MAIL FLOW DENSITIES

		-----OUTGOING-----		-----INCOMING-----			
<u>From Operation</u>	<u>Refeeds</u>	<u>Primary</u>	<u>Secondary</u>	<u>Mgd Mail Program</u>	<u>SCF/ Primary</u>	<u>Inc Sec</u>	<u>Total</u>
Out ISS Auto		3.22%	28.61%	3.86%	37.94%	26.36%	100.00%
Out OSS Auto		2.12%	16.26%	10.74%	36.88%	34.00%	100.00%
Out Prim Auto	0.05%		7.29%	35.74%	50.38%	6.59%	100.00%
Out Sec Auto	3.08%			47.12%	48.01%	4.87%	100.00%
Inc ISS Auto				2.41%	32.39%	65.19%	100.00%
Inc OSS Auto				0.92%	20.28%	78.81%	100.00%
Inc MMP Auto	0.79%				100.00%	0.00%	100.00%
Out Prim Man			18.86%	12.81%	33.18%	35.15%	100.00%
Out Sec Man				94.94%	5.06%	0.00%	100.00%
Inc ADC Man					6.18%	93.82%	100.00%

Source: LR-I-146

FY 99 REMOTE BAR CODE SYSTEM (RBCS) STATISTICS**Source: Corporate Information System (CIS)**

AP	<u>LEAKAGE</u> <u>PERCENT</u>	<u>RCR FINAL</u> <u>PERCENT</u>
1	5.7%	39.0%
2	5.8%	41.1%
3	5.7%	44.1%
4	4.9%	47.5%
5	5.8%	49.9%
6	5.6%	50.3%
7	5.5%	50.4%
8	5.5%	50.9%
9	5.5%	51.3%
10	5.7%	51.4%
11	6.1%	50.3%
12	6.2%	50.0%

Source: LR-I-146

HANDWRITTEN MISCELLANEOUS FACTORS

Description	Source	Value
AADC Trays Entered At MMP Operation	Docket No. R97-1, LR-H-128	79.60%
Local Originating	FY 98 ODIS	11.65%
RCR Finalization Rate	RCR 2000 D.A.R.	69.03%
RBCS Leakage Rate	Operations Leakage Target	5.00%
Automation Incoming Secondaries		
Delivery Unit (ZIP Code)	F.A.S.T. (AP 8 FY 99)	2.13%
Carrier Route	F.A.S.T. (AP 8 FY 99)	15.74%
3-Pass DPS (CSBCS)	F.A.S.T. (AP 8 FY 99)	14.40%
2-Pass DPS (DBCS)	F.A.S.T. (AP 8 FY 99)	<u>67.73%</u>
		100.00%
Finalized At Least To Carrier Route At Plant	F.A.S.T. (AP 8 FY 99)	73.81%
Post Office Box Destination	MC95-1, USPS-T-10I	8.90%

Source: LR-I-146

QBRM
MISCELLANEOUS FACTORS

<u>Description</u>	<u>Source</u>	<u>Value</u>
AADC Trays Entered At MMP Operation	Docket No. R97-1, LR-H-128	79.60%
Local Originating	FY 98 ODIS	11.65%
RCR Finalization Rate	RCR 2000 D.A.R.	69.03%
RBCS Leakage Rate	Operations Leakage Target	5.00%
Automation Incoming Secondaries		
Delivery Unit (ZIP Code)	F.A.S.T. (AP 8 FY 99)	0.00%
Carrier Route	F.A.S.T. (AP 8 FY 99)	0.00%
3-Pass DPS (CSBCS)	F.A.S.T. (AP 8 FY 99)	0.00%
2-Pass DPS (DBCS)	F.A.S.T. (AP 8 FY 99)	<u>100.00%</u>
		100.00%
Finalized At Least To Carrier Route At Plant	F.A.S.T. (AP 8 FY 99)	73.81%
Post Office Box Destination	MC95-1, USPS-T-10I	8.90%

Source: LR-I-146

MARGINAL PRODUCTIVITIES

Description	Source	(A)	(B)	(B) / (A)	Cents/ Piece
		Variability Factor	MODS Productivity	Marginal Productivity	
Outgoing ISS	USPS LR-I-107	0.999	6,847	6,854	0.514
Incoming ISS	USPS LR-I-107	0.999	4,370	4,374	
RCR		---	---	---	
REC	USPS LR-I-107	0.995	673	676	0.514
LMLM	USPS LR-I-107	0.995	3,871	3,890	
Outgoing OSS	USPS LR-I-107	0.998	8,976	8,994	
Incoming OSS	USPS LR-I-107	0.998	8,118	8,134	
Outgoing BCS Primary	USPS LR-I-107	0.998	5,729	5,740	
Outgoing BCS Secondary	USPS LR-I-107	0.998	8,323	8,340	
Incoming BCS MMP	USPS LR-I-107	0.998	5,565	5,576	
Incoming BCS SCF/Primary	USPS LR-I-107	0.998	5,896	5,908	
Incoming BCS Secondary Carrier Route	USPS LR-I-107	0.998	5,214	5,224	
Incoming BCS Secondary DPS (2 Pass)	USPS LR-I-107	0.998	8,737	8,755	
Incoming CSBCS Secondary DPS (3 Pass)	USPS LR-I-107	0.998	13,334	13,361	
Manual Outgoing Primary	USPS LR-I-107	0.995	486	488	
Manual Outgoing Secondary	USPS LR-I-107	0.995	477	479	
Manual MMP	USPS LR-I-107	0.995	601	604	
Manual Incoming SCF/Primary	USPS LR-I-107	0.995	638	641	
Manual Incoming Secondary, MODS Site	USPS LR-I-107	0.977	511	523	
Manual Incoming Secondary Non MODS Sites	USPS LR-I-107	0.990	1,143	1,155	
P.O. Box Sort DPS	USPS LR-I-107	0.990	2,341	2,365	
P.O. Box Sort Other	USPS LR-I-107	0.993	1,171	1,179	

Source: LR-I-472

TEST YEAR WAGE RATES

<u>Description</u>	<u>Source</u>	<u>Wage Rate</u>
Remote Encoding Centers (REC)	USPS LR-I-106, Part VIII, Table VIII, p. VIII-2	\$18.059
Other Mail Processing	USPS LR-I-106, Part VIII, Table VIII, p. VIII-2	\$28.678
Premium Pay Adjustment Factor	USPS-T-21, Attachment 15	1.02

Source: LR-I-472

FY 99 AP 11 MODS VOLUMES

OPER NO.	DESCRIPTION	MODS VOLUME	% VOL	
971	Outgoing Primary OSS - MPBCS	1,165,065,900	66.64%	74.35%
972	Outgoing Secondary OSS - MPBCS	134,827,300	7.71%	
271	Outgoing Primary OSS - DBCS	10,881,900	0.62%	25.65%
272	Outgoing Secondary OSS - DBCS	<u>437,523,900</u>	25.03%	
		1,748,299,000	100.00%	
871	Outgoing Primary - MPBCS	44,560,100	3.79%	
891	Outgoing Primary - DBCS	<u>1,132,472,500</u>	96.21%	
		1,177,032,600	100.00%	
872	Outgoing Secondary - MPBCS	78,226,000	7.57%	
892	Outgoing Secondary - DBCS	<u>954,707,700</u>	92.43%	
		1,032,933,700	100.00%	
973	Incoming MMP OSS - MPBCS	214,099,200	49.72%	93.36%
974	Incoming SCF OSS - MPBCS	108,182,800	25.12%	
975	Incoming Primary OSS - MPBCS	79,754,100	18.52%	
273	Incoming MMP OSS - DBCS	11,669,200	2.71%	6.64%
274	Incoming SCF OSS - DBCS	14,820,100	3.44%	
275	Incoming Primary OSS - DBCS	<u>2,109,100</u>	0.49%	
		430,634,500	100.00%	
873	Incoming MMP - MPBCS	401,941,100	19.34%	
893	Incoming MMP - DBCS	<u>1,675,940,800</u>	80.66%	
		2,077,881,900	100.00%	
874	Incoming SCF - MPBCS	878,379,200	25.56%	37.06%
875	Incoming Primary - MPBCS	395,607,400	11.51%	
894	Incoming SCF - DBCS	1,411,489,600	41.07%	62.94%
895	Incoming Primary DBCS	<u>751,728,200</u>	21.87%	
		3,437,204,400	100.00%	
876	Incoming Secondary Carrier Route - MPBCS	562,735,000	31.65%	
896	Incoming Secondary Carrier Route - DBCS	<u>1,215,011,900</u>	68.35%	
		1,777,746,900	100.00%	

Source: LR-I-146

PIGGYBACK FACTORS

<u>EQUIPMENT</u> <u>DESCRIPTION</u>	<u>SOURCE</u>	<u>VALUE</u>
MLOCR	USPS LR-I-465	2.067
REC	USPS LR-I-465	1.546
LMLM	USPS LR-I-465	2.576
MPBCS	USPS LR-I-465	1.617
DBCS	USPS LR-I-465	2.323
CSBCS	USPS LR-I-465	1.957
Manual	USPS LR-I-465	1.382
Manual P.O. Box	USPS LR-I-465	1.382
<u>OPERATION</u> <u>DESCRIPTION</u>		<u>VALUE</u>
Outgoing ISS		2.067
Outgoing REC		1.546
Outgoing OSS		1.798
Outgoing LMLM		2.576
Outgoing Prim Auto		2.296
Outgoing Prim Man		1.382
Outgoing Sec Auto		2.270
Outgoing State Dist Man		1.382
Incoming ISS		2.067
Incoming REC		1.546
Incoming OSS		1.664
Incoming LMLM		2.576
Incoming MMP Auto		2.186
Incoming ADC Man		1.382
Incoming SCF/Prim Auto		2.061
Incoming SCF/Prim Man		1.382
Incoming 5-Digit Barcode Sort		2.061
Incoming Sec Auto Carrier Route		2.100
Incoming Sec Auto 3-Pass DPS		1.957
Incoming Sec Auto 2-Pass DPS		2.323
Man Inc Sec Final At Plant		1.382
Man Inc Sec Final At DU		1.382
Box Section Sort, DPS		1.382
Box Section Sort, Other		1.382

Source: LR-I-472

Exhibit KE-ST-1B

**Derivation of High Volume
And Low Volume QBRM
Per Piece Costs
(Updated Version of Exhibit KE-1B)**

Determination of Updated Per-Piece Costs for QBRM (high-volume)

Counting Activities

TY01

Method of final piece count:

BRMAS software report

EOR report

Manual

Weight Averaging/Counting Machines

% Volume

51.6% [1]

28.1% [1]

11.2% [1]

9.2% [1]

Hourly wage rate, Postage Due Clerk

\$28.73 [2]

Piggyback factor, Business Reply

1.468 [3]

	(1)	(2)	(3)	(4)
	Pieces	Direct	Direct & Indirect	% of
QBRM Counting	<u>Per Hour</u>	<u>Cost/Piece</u>	<u>Cost/Piece</u>	<u>Pieces</u>
Manual Hand Counting, Postage Due Unit	2,746	\$0.0105	\$0.0154	11.2%
Manual Counting by Weight Averaging, Postage Due Unit	68,078	\$0.0004	\$0.0006	9.2%
Weighted cost per piece (direct & indirect)			\$0.0018	[4]

Footnotes:

[1] Counting % (High Vol) spreadsheet (page 4)

[2] USPS-LR-I-106, Part VIII, Table VIII, p. VIII-2

[3] MODS 18 piggyback, USPS-T-21, Attachment 14

[4] Sum [(3) * (4)]

(1) Exhibit KE-1C at 3

(2) [2] / (1)

(3) [3] * (2)

(4) [1] as appropriate

Determination of Updated Volume Variable Costs of QBRM (Low Volume)

Counting, Rating and Billing Activities

TY01

Method of final piece count:

	% Volume	Adj % Volume
BRMAS software report	14.2% [1]	21.0% [2]
EOR report	19.3% [1]	23.3% [2]
Manual	47.2% [1]	48.0% [2]
Weight Averaging/Counting Machines	19.3% [1]	7.6% [2]

Method of Postage Due Activities:

	% Volume	Adj % Volume
BRMAS	6.5% [3]	9.6% [4]
PERMITS/other software	47.6% [3]	46.0% [5]
Manual Other	45.9% [3]	44.4% [5]

Hourly wage rate, Postage Due Clerk	\$28.73 [6]
Piggyback factor, Business Reply	1.468 [7]

	(1)	(2)	(3)	(4)
	Pieces per hour	Direct Cost/Piece	Direct & Indirect Cost/Piece	% of Pieces
QBRM Processing				
PERMITS Rating and Bill Generation Productivity, Postage Due Unit	7,461 [8]	\$0.0039	\$0.0057	46.0%
Manual Rating/Billing Productivity, Postage Due Unit	745 [8]	\$0.0386	\$0.0566	44.4%
Manual Hand Counting, Postage Due Unit	2,746 [9]	\$0.0105	\$0.0154	48.0%
Counting by Weight Averaging & SCM's, Postage Due Unit	68,078 [9]	\$0.0004	\$0.0006	7.6%
Weighted cost per piece (direct & indirect)			\$0.0351 [10]	

Footnotes

- [1] BRM Practices Survey for all QBRM
- [2] Counting % (Low Vol) spreadsheet (page 5)
- [3] 1999 Survey, see Appendix 1, Table 2
- [4] [3] adjusted to reflect % of pieces (rated by BRMAS/counted by BRMAS)
- [5] Based on [3] for remaining percentage
- [6] MODS 18 piggyback, USPS-T-21, Attachment 14
- [7] Sum [(3) * (4)]
- [8] USPS-LR-I-160, Section B at 3 (Revised 3/2/00)
- [9] Exhibit KE-1C at 3
- [10] Sum [(3) * (4)]

Determination of Updated Per-Piece Costs for All QBRM

Counting, Rating and Billing Activities

TY01

	(1) Annual Volume (000)	(2) Number of Accounts	(3) Direct & Indirect Cost/Piece Cost/Piece	(4) Direct & Indirect Cost/Acc't Cost/Acc't	(5) Total Annual Cost (000)
<u>QBRM Processing</u>					
High Volume Counting	345,000 [1]		\$0.0018 [5]		\$611
High Volume Rating and Billing		300 [4]		\$ 2,785 [7]	\$836
Low Volume Counting, Rating and Billing	116,610 [2]		\$0.0351 [6]		\$4,097
Total	461,610 [3]				\$5,543 [8]
Unit Cost					\$0.0120 [9]

Footnotes:

[1] Counting % (High Vol) spreadsheet (page 4)

[2] Counting % (Low Vol) spreadsheet (page 5)

[3] [1] + [2]

[4] KE-LR-1 at 1

[5] High Volume QBRM spreadsheet (page 1)

[6] Low Volume QBRM spreadsheet (page 2)

[7] USPS-LR-I-160, Section B at 1

[8] Sum (Col 5)

[9] [8] / [3]

(5) (1) x (3) and (2) x (4)

Derivation of Counting Method %'s for QBRM
High Volume (300,000+ Pieces)

		Volumes By Counting Method					Total Volume
Customer Category		Manual	EOR	BRMAS	Counting Machine	Weight Averaging	
[1] Top 77 %		24,419,257 10%	56,759,319 24%	141,653,407 59%	2,129,276 1%	16,441,663 7%	241,402,921 100%
[2] Top 77 less #1,2 %		19,914,150 14%	56,759,319 39%	51,161,793 35%	2,129,276 1%	16,441,663 11%	146,406,200 100%
[3] Total Volume							345,000,000
[4] Remaining Vol		14,091,259	40,162,914	36,202,103	1,506,676	11,634,126	103,597,079
[5] Total High Vol %		38,510,516 11%	96,922,233 28%	177,855,511 52%	3,635,952 1%	28,075,789 8%	345,000,000 100%

[1] Exhibit KE-1D at 1

[2] Id.

[3] LR-KE-1 at 1

[4] [3] - [1] for total, counting methods based on [2]

[5] [1] + [4]

Derivation of Counting Method %'s for QBRM
Low Volume (Less than 300,000 Pieces Per Account)

		Volumes By Counting Method					Total Volume
Customer Category		Manual	EOR	BRMAS	Counting Machine	Weight Averaging	
[1]	Total High Vol %	38,510,516 11%	96,922,233 28%	177,855,511 52%	3,635,952 1%	28,075,789 8%	345,000,000 100%
[2]	Vol 100,000+ Pcs/Acc't						415,167,825
[3]	Top 77 less #1,2 %	19,914,150 14%	56,759,319 39%	51,161,793 35%	2,129,276 1%	16,441,663 11%	146,406,200 100%
[4]	Vol Small but 100,000+	9,544,217	27,202,932	24,520,217	1,020,494	7,879,965	70,167,825
[5]	Total TY QBRM Vol						461,610,000
[6]	Remaining Small Vol	46,442,175					46,442,175
[7]	Total Low Volume %	55,986,392 48%	27,202,932 23%	24,520,217 21%	1,020,494 1%	7,879,965 7%	116,610,000 100%

- [1] Counting % (High Vol) spreadsheet (p. 4)
 [2] KE-LR-1 at 2
 [3] Exhibit KE-1D at 1
 [4] [3] - [1] for total, counting methods based on [3]

- [5] USPS-LR-I-168 (total TY QBRM Volume)
 [6] Assume remaining volume is manually counted
 [7] [4] + [6]

Derivation of Counting Method %'s for QBRM

All QBRM

		Volumes By Counting Method					
	Customer Category	Manual	EOR	BRMAS	Counting Machine	Weight Averaging	Total Volume
[1]	Low Volume	55,986,392	27,202,932	24,520,217	1,020,494	7,879,965	116,610,000
[2]	High Volume	38,510,516	96,922,233	177,855,511	3,635,952	28,075,789	345,000,000
[3]	Total Volume	94,496,908	124,125,165	202,375,727	4,656,446	35,955,754	461,610,000
	%	20%	27%	44%	1%	8%	100%

[1] Counting % (Low Volume) spreadsheet (page 5)

[2] Counting % (High Volume) spreadsheet (page 4)

[3] [1] + [2]

Exhibit KE-ST-1F

**Comparison of QBRM
Net Revenue Contribution
To Institutional Costs for
USPS and KE Proposals
(Updated Version of Exhibit KE-F)**

Updated Comparison of Contributions to Institutional Costs Under the
KE and USPS QBRM High Volume Fee Proposals

KE PROPOSAL	Fee Per Account	Total Accounts	Fee Per Piece (Cents)	Total Volume (000)	Total (\$000)
<u>Annual Fee:</u>					
Revenues	\$ 12,000	300 [1]			\$ 3,600
Vol Variable Costs	\$ 2,856	300			\$ 857
Contribution to Inst Costs	\$ 9,144	300			\$ 2,743
<u>Unit Fee (High Volume)</u>					
Revenues			0.50	345,000 [4]	\$ 1,725
Vol Variabe Costs			0.18 [2]	345,000	\$ 611
Contribution to Inst Costs			0.32	345,000	\$ 1,114
<u>Unit Fee (Low Volume)</u>					
Revenues			4.50	116,610 [5]	\$ 5,247
Vol Variabe Costs			3.51 [3]	116,610	\$ 4,097
Contribution to Inst Costs			0.99	116,610	\$ 1,151
Total Contrib to Inst Costs					\$ 5,008
<u>USPS PROPOSAL</u>					
<u>Annual Fee:</u>					
Revenues	\$ 3,400	1,358			\$ 4,617
Vol Variable Costs	\$ 2,856	1,358			\$ 3,879
Contribution to Inst Costs	\$ 544	1,358			\$ 738
<u>Unit Fee (High Volume)</u>					
Revenues			3.00	153,870	\$ 4,616
Vol Variabe Costs			2.05	153,870	\$ 3,152
Contribution to Inst Costs			0.95	153,870	\$ 1,464
<u>Unit Fee (Low Volume)</u>					
Revenues			6.00	307,740	\$ 18,464
Vol Variabe Costs			4.92	307,740	\$ 15,127
Contribution to Inst Costs			1.08	307,740	\$ 3,337
Total Contrib to Inst Costs					\$ 5,540
Change in Contribution					\$ (532)

[1] KE-LR-1 at 1

[2] Exhibit KE-ST-1B at 1

[3] Exhibit KE-ST-1B at 2

[4] KE-LR-1 at 1

[5] 461,610 - [4]